

Message Text

PAGE 01 STATE 117834 TOSEC 010116

60

ORIGIN NODS-00

INFO OCT-01 ISO-00 /001 R

DRAFTED BY S/P:CFRANK/CHILL

APPROVED BY S/P:WLORD/EB:TENDERS

S/S-O: A.SHANKLE

----- 115267

O 210204Z MAY 75 ZFF4

FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 117834 TOSEC 010116

NODIS

E.O. 11652: GDS

TAGS: OVIP (KISSINGER, HENRY A.), OECD

SUBJECT: OECD SPEECH DRAFT (THE IMPERATIVES OF GROWTH AND
COOPERATION
FOR SECRETARY FROM LORD AND ENDERS

1. WE MEET HERE TO CONTINUE OUR ENDEAVORS TO CREATE THE
CONDITIONS FOR A PROSPEROUS, EQUITABLE AND HUMANE WORLD.
WORKING TOGETHER, WE HAVE LAID THE FOUNDATIONS FOR THE
PURSUIT OF THIS CAUSE OVER THE PAST THIRTY YEARS. OUR
EFFORTS HAVE BEEN REWARDED BY AN UNPRECEDENTED PERIOD OF
PEACE AMONG THE MAJOR POWERS AND GROWING WORLD PROSPERITY.
2. BUT THE SYSTEM WE HAVE LABORED SO HARD TO CONSTRUCT
IS NOW UNDER GREAT STRESS. THE ENERGY CRISIS FIRST
CONFIDENTIAL

PAGE 02 STATE 117834 TOSEC 010116

DRAMATIZED THE EXTENT TO WHICH THE FORCES OF CHANGE WERE
OUTRUNNING OUR CAPACITY FOR COOPERATIVE PROGRESS. A FOOD
CRISIS, AND WORLDWIDE RECESSION AND INFLATION ARE FURTHER

SYMPTOMS OF THE STRAINS ON OUR STRUCTURES OF INTERNATIONAL COOPERATION.

3. UNLESS OUR ACTIONS ARE COOPERATIVE, TAKEN WITH FULL CONSIDERATION OF THEIR WIDER INTERNATIONAL CONSEQUENCES, THE RESULTS WILL ERODE THE POLITICAL STABILITY AND THE MORAL DIMENSION IN WHICH EACH OF OUR SOCIETIES PURSUES ITS DESTINY.

4. TODAY LET ME DISCUSS WHAT WE, THE INDUSTRIALIZED NATIONS, CAN DO--BOTH IN OUR OWN INTEREST AND FOR THE LARGER HUMAN COMMUNITY WHICH ULTIMATELY SUSTAINS US. OUR ENDEAVORS MUST FOCUS ON TWO IMPORTANT CHALLENGES: -- A CHALLENGE TO THE NATIONS OF THE INDUSTRIAL WORLD (UNDERScoreD) TO RETURN TO A PATH OF STEADY ECONOMIC GROWTH, AND THUS RESTORE FAITH IN OUR INSTITUTIONS AND LEADERSHIP, AND BE ABLE TO ACT TOGETHER FROM A POSITION OF STRENGTH IN TIMES OF CRISIS;

-- A CHALLENGE TO ALL NATIONS (LAST TWO WORDS UNDER-CONFIDENTIAL

PAGE 03 STATE 117834 TOSEC 010116

SCORED) TO EXTEND THE SYSTEM OF INTERNATIONAL ECONOMIC COOPERATION TO GIVE THE LESS DEVELOPED COUNTRIES A GREATER OPPORTUNITY TO SHARE IN SUSTAINED ECONOMIC GROWTH.

5. ULTIMATELY OUR SURVIVAL AS NATIONS MAY DEMAND THAT WE MEET THESE CHALLENGES. FOR POLITICAL AND SOCIAL INSTABILITY THRIVE ON ECONOMIC STAGNATION AND DISPUTE. CONFLICT WITHIN AND AMONG NATIONS IS INTENSIFIED BY THE STRUGGLE TO OBTAIN A LARGER SHARE OF A STATIC GLOBAL OUTPUT.

6. HISTORY CONFIRMS THAT ONLY ECONOMIC GROWTH CAN SATISFY COMPETING DOMESTIC DEMANDS FOR MORE INCOME AND MORE OPPORTUNITY; AND THAT AN ENVIRONMENT OF GROWTH AND ECONOMIC COOPERATION FACILITATES SOLUTIONS TO INTERNATIONAL POLITICAL AND SECURITY PROBLEMS.

7. MOREOVER, INDUSTRIAL NATIONS CANNOT ACT WITH AUTHORITY IN AN ENVIRONMENT OF STAGNATION AND INCREASING DOMESTIC AND INTERNATIONAL STRUGGLE OVER THE DISTRIBUTION OF ECONOMIC BENEFIT. OUR PURPOSE WILL FALTER. OUR MORAL POSITION WILL ERODE. CONFIDENCE IN OUR INSTITUTIONS AND LEADERSHIP WILL DECAY. THE INDUSTRIALIZED NATIONS MUST BE ECONOMICALLY STRONG AND POLITICALLY COHESIVE IF THEY ARE TO CONTRIBUTE TO WORLD SECURITY AND PROSPERITY.
CONFIDENTIAL

PAGE 04 STATE 117834 TOSEC 010116

8. ECONOMIC EXPANSION IN THE INDUSTRIAL WORLD AND BUILDING A NEW STRUCTURE OF ECONOMIC COOPERATION WITH THE LESS DEVELOPED COUNTRIES GO HAND IN HAND. ONLY AN EXPANDING WORLD ECONOMY PERMITS INCREASED TRANSFER OF RESOURCES THROUGH BILATERAL AND MULTILATERAL AID PROGRAMS. ONLY SUSTAINED GROWTH IN THE INDUSTRIALIZED WORLD CAN PROVIDE A LONG-TERM MARKET FOR RAW MATERIALS, FOR MANUFACTURES, AND FOR THE AGRICULTURAL PRODUCTS ON WHICH THE PROSPERITY OF THE DEVELOPING COUNTRIES DEPENDS. ONLY INCREASING INCOME FOR BOTH DEVELOPED AND DEVELOPING COUNTRIES CAN CREATE THE PROPITIOUS CLIMATE NEEDED FOR NEGOTIATION ON THE HARD ISSUES OF FOOD, ENERGY, RAW

MATERIALS, TRADE AND INVESTMENT.

9. THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT HAS PLAYED AN IMPORTANT ROLE IN ECONOMIC COOPERATION AMONG THE ADVANCED NATIONS. BUT THE MEMBERS OF THIS INSTITUTION INCREASINGLY MUST ADDRESS PROBLEMS IN A GLOBAL CONTEXT. THE CHALLENGE OF GROWTH IN THE INDUSTRIAL WORLD IS INEXTRICABLY LINKED TO THE CHALLENGE OF OUR RELATIONSHIPS TO THE DEVELOPING NATIONS.

CONFIDENTIAL

PAGE 05 STATE 117834 TOSEC 010116

10. LET ME DISCUSS EACH OF THESE IN TURN.

GROWTH AMONG THE INDUSTRIALIZED NATIONS

11. WE HAVE WITNESSED THIRTY YEARS OF ECONOMIC GROWTH AMONG THE INDUSTRIALIZED NATIONS. NOW, HOWEVER, WE ARE IN THE MIDST OF A RECESSION, THE MOST SERIOUS SINCE THE GREAT DEPRESSION OF THE THIRTIES. OUR CARDINAL TASK IS TO RETURN TO A PATH OF SUSTAINED GROWTH.

12. THE CONDITIONS THAT FOSTER AND SUSTAIN GROWTH IN THE INDUSTRIAL ECONOMIES FORM A DELICATE EQUILIBRIUM. A POLITICAL AND SOCIAL CONSENSUS THAT GOVERNMENT POLICIES ARE EQUITABLE IS THE KEY TO ECONOMIC GROWTH. THE DISTRIBUTION OF ECONOMIC BENEFIT MUST BE BROADLY ACCEPTED; OTHERWISE ESCALATING WAGE AND PRICE DEMANDS, LAGGING WORK PERFORMANCE AND LABOR UNREST DESTRUCTIVE OF GROWTH WILL RESULT. CONTINUING INFLATION THAT DESTROYS GROWTH WILL BE THE ARBITER OF SOCIAL PRIORITIES.

13. WITHIN THE INDUSTRIAL WORLD THE SIGNS ARE EVERYWHERE

THAT THESE UNDERLYING CONDITIONS MAY NO LONGER OBTAIN.

WE SEE IT IN THE INFLATION THAT HAS BECOME THE HALLMARK

OF OUR SOCIETIES; AN INFLATION THAT RESULTS FROM EFFORTS

BY INDIVIDUAL INTEREST GROUPS TO IMPROVE OR DEFEND THEIR
CONFIDENTIAL

PAGE 06 STATE 117834 TOSEC 010116

SHARE OF AVAILABLE INCOME BY RAISING PRICES AND WAGES. WE

SEE IT IN THE INCREASING DIFFICULTY OF GOVERNMENTS IN

CONTROLLING THEIR BUDGETS. WE SEE IT IN THE DECLINING '

PORTION OF THEIR INCOME THAT MANY OF THE INDUSTRIAL

DEMOCRACIES ARE WILLING TO SAVE AND INVEST IN FUTURE

GROWTH.

14. THESE DISQUIETING ECONOMIC SIGNS WILL ONLY ABATE

IF THE INDUSTRIALIZED NATIONS RETURN TO SUSTAINED,

NON-INFLATIONARY GROWTH. THE FINANCE MINISTERS, MEETING

TOMORROW, WILL DISCUSS SPECIFIC ACTIONS WE CAN TAKE

SEPARATELY AND TOGETHER TO ACHIEVE THIS GOAL. SECRETARY

SIMON WILL DISCUSS THE AMERICAN RECOVERY IN DETAIL. LET

ME OFFER SOME GENERAL PROPOSITIONS THAT SHOULD FRAME

OUR LONG-TERM ACTIONS.

15. FIRST, WE MUST SUSTAIN THE GROWTH OF INTERNATIONAL

TRADE AND INVESTMENT. THEY HAVE BEEN AMONG THE MAIN

MOTORS OF OUR PROSPERITY FOR OVER A GENERATION, CONSIS-

TENTLY EXPANDING AT RATES TWICE THAT OF OUR DOMESTIC

ECONOMIES. THIS IS THE FRUIT OF THE GREAT POSTWAR EFFORT

TO LIBERALIZE TRADE, TO LESSEN BARRIERS TO INVESTMENT,

CONFIDENTIAL

PAGE 07 STATE 117834 TOSEC 010116

AND TO MAINTAIN FREE MONETARY EXCHANGES. WE MUST CARRY

THIS EFFORT FORWARD:

-- IN THE OECD, THROUGH THE RENEWAL AND RESPECT OF

OUR PLEDGE NOT TO ADOPT RESTRICTIVE TRADE MEASURES TO

COVER OUR OIL DEFICITS;

-- IN THE GATT, THROUGH THE VIGOROUS CONDUCT OF

THE NEW ROUND OF MULTILATERAL TRADE NEGOTIATIONS NOW

BEGINNING;

16. SECOND, WE MUST RECOGNIZE THE EFFECTS OF THE ECONOMIC

POLICIES OF ONE NATION ON OTHERS. IN THE PAST WE HAVE

COORDINATED ON SHORT-TERM POLICY MEASURES. NOW WE

MUST ENSURE THAT OUR ACTIONS ARE MUTUALLY REINFORCING

IN THE CAUSE OF SUSTAINED EXPANSION. THIS WAS DONE

INFORMALLY THIS WINTER WHEN CHANCELLOR SCHMIDT, PRIME

MINISTER WILSON, PRESIDENT GISCARD D'ESTAING, FORMER

PRIME MINISTER TANAKA, AND PRESIDENT FORD DEVELOPED PLANS

TO COMBAT THE RECESSION. IN THE FUTURE, THE OECD SHOULD

COORDINATE POLICIES FOR THE EXPANSION OF THE MAJOR

INDUSTRIAL ECONOMIES, SO AS TO AVOID THE SIMULTANEOUS

BOOM AND BUST EXPERIENCED THESE LAST THREE YEARS.

17. THIRD, AS I OUTLINED YESTERDAY IN THE IEA, OUR
CONFIDENTIAL

PAGE 08 STATE 117834 TOSEC 010116

ENERGY POLICIES MUST BE AIMED AT RETURNING OIL PRICES TO

EQUILIBRIUM LEVELS. SUSTAINED HIGH PRICES FOR OIL WILL

DAMPEN GROWTH; AND WHEN OPEC'S IMPORTS CATCH UP WITH ITS

INCOME SUCH PRICES WILL ALSO INVOLVE AN ANNUAL TRANSFER

OF MORE THAN ONE PERCENT OF OUR OUTPUT, WHICH OTHERWISE
WOULD BE AVAILABLE FOR CONSUMPTION OR INVESTMENT WITHIN
OUR ECONOMIES.

18. FINALLY, WE MUST DEVELOP LONGER-TERM GROWTH
STRATEGIES. WE MUST IDENTIFY THE POLITICAL AND ECONOMIC
CONDITIONS NECESSARY FOR SUSTAINED GROWTH IN THE LATE
1970S AND EARLY 1980S. WE MUST BEGIN A SYSTEMATIC
ATTEMPT TO ANSWER SOME FUNDAMENTAL, LONG-RUN QUESTIONS:

-- HOW CAN THE INDUSTRIAL SOCIETIES CREATE THE
CONDITIONS NECESSARY FOR THE MASSIVE CAPITAL FORMATION
REQUIRED OVER THE NEXT DECADE, NOT ONLY FOR AN ADEQUATE
RATE OF GROWTH, BUT FOR A NEW QUALITY OF GROWTH?

-- WHAT POLICIES ARE NEEDED TO RESTORE A NON-
INFLATIONARY ENVIRONMENT FOR LONGER-TERM GROWTH?

-- HOW CAN WE ENCOURAGE THE RESEARCH AND DEVELOPMENT
EFFORT NEEDED TO SUSTAIN, AND TRANSFER TO OTHERS, THE
CONFIDENTIAL

PAGE 09 STATE 117834 TOSEC 010116

CHANGING TECHNOLOGY SO VITAL TO OUR POSTWAR GROWTH?

19. TO BEGIN THE SEARCH FOR ANSWERS TO THESE QUESTIONS,
I PROPOSE THAT WE CONSTITUTE A SPECIAL HIGH LEVEL GROUP
OF DISTINGUISHED ECONOMISTS BOTH IN AND OUT OF GOVERNMENT
TO DRAW UP AN OECD GROWTH STRATEGY FOR THE NEXT FIVE YEARS.
THIS GROUP SHOULD DRAW ON THE FIVE YEAR PROJECTIONS NOW
BEING DEVELOPED BY THE ECONOMIC POLICY COMMITTEE. BUT
ITS FOCUS SHOULD BE ON POLICY. IT SHOULD REPORT TO THE
NEXT MINISTERIAL MEETING.

20. GROWTH IS A FUNDAMENTAL QUESTION THAT TRANSCENDS
NATIONAL ECONOMIC POLICY AND GOES TO THE HEART OF
NATIONHOOD AND PURPOSE. FOR ECONOMIC STAGNATION BREEDS
TENSION AND CONFLICT. IT UNDERMINES THE STABILITY OF
OUR SOCIETIES AND THE ABILITY OF OUR GOVERNMENTS TO ACT.
THE BUILDING OF NATIONAL POLITICAL CONSENSUS AND THE
RESOLUTION OF DISPUTES AMONG COMPETING DOMESTIC INTEREST
GROUPS ARE FAR EASIER WITH A STRONG ECONOMY AND A GROWING
COMMAND OVER RESOURCES.

21. NOR CAN WE RESOLVE POLITICAL PROBLEMS AMONG ADVANCED
COUNTRIES IN THE ABSENCE OF GROWTH. CLOSE ECONOMIC
COOPERATION IS AN IMPORTANT ELEMENT IN THE COHESIVENESS
CONFIDENTIAL

PAGE 10 STATE 117834 TOSEC 010116

OF OUR ALLIANCES. THAT COHESIVENESS, AS WELL AS OUR
ECONOMIC STRENGTH AND VITALITY ARE VITAL IF WE ARE TO
DISCOURAGE THREATS TO OUR COMMON SECURITY. WE CANNOT
BE DISUNITED AND PREOCCUPIED WITH ECONOMIC PROBLEMS IF
WE ARE TO COOPERATE IN TIMES OF POLITICAL AND MILITARY
CRISIS.

22. MOREOVER, STABLE RELATIONS WITH THE COMMUNIST
WORLD REQUIRE US TO DEMONSTRATE THE STRENGTH AND
VITALITY OF OUR OPEN ECONOMIC SYSTEM. FOR THEIR
INCENTIVE TO PLAY A RESPONSIBLE ROLE IN THE WORLD ECONOMY
AND IN THEIR POLITICAL RELATIONSHIPS WITH THE WEST WILL
BE ENHANCED AS THEIR STAKE GROWS IN OUR ECONOMIC SUCCESS'

23. FINALLY, STABLE GROWTH IS CRITICAL TO THE WELL-BEING
OF THE DEVELOPING WORLD. LET ME NOW TURN TO IT.

COOPERATION WITH THE DEVELOPING NATIONS

24. THE RETURN TO SUSTAINED WORLD ECONOMIC GROWTH IS
PRIMARILY THE TASK OF THE INDUSTRIALIZED NATIONS. FOR
THEY ACCOUNT FOR 65 PERCENT OF THE WORLD'S OUTPUT AND
70 PERCENT OF ITS TRADE.

25. BUT THAT GROWTH CANNOT BE SUSTAINED IN THE ABSENCE

CONFIDENTIAL

PAGE 11 STATE 117834 TOSEC 010116

OF A STRUCTURE OF ENHANCED INTERNATIONAL COOPERATION IN
WHICH THE DEVELOPING COUNTRIES ARE, AND PERCEIVE THEM-
SELVES TO BE, EFFECTIVE PARTICIPANTS. FOR THE NEW
PROBLEMS OF OUR ERA--FOOD, ENERGY AND RAW MATERIALS--
INVOLVE COMMUNITIES OF INTEREST EXTENDING TO ALL PEOPLES
IN EVERY CORNER OF THE GLOBE.

26. WE WILL FAIL IN ANY EFFORT TO BUILD A BETTER STRUC-
TURE OF INTERNATIONAL COOPERATION IF WE FAIL TO INVOLVE
THE DEVELOPING NATIONS CONSTRUCTIVELY IN THAT SYSTEM.
NO INTERNATIONAL SYSTEM CAN SURVIVE IF A MAJOR PORTION
OF THE WORLD'S POPULATION DO NOT SHARE IN ITS BENEFITS.

27. THE PROBLEM OF AN EFFECTIVE RELATIONSHIP WITH THE
LESS DEVELOPED COUNTRIES IS A SHARED CHALLENGE OF THE
INDUSTRIALIZED NATIONS. IT IS A TEST OF OUR ABILITY TO
ACT DECISIVELY IN THE FACE OF OTHER CHALLENGES.

28. OF CENTRAL IMPORTANCE WILL BE OUR CAPACITY TO
DISTINGUISH BETWEEN THE POLITICAL PERCEPTION OF DEVELOPING
COUNTRIES AS A SINGLE ENTITY AND THE REALITY OF THEIR
DIVERSITY--IN RESOURCE ENDOWMENT AND IN EXTENT OF DEVELOP-

MENT. WE CAN ACCEPT THAT THEIR SELF-PERCEPTION OF UNITY

IS A POLITICAL IMPERATIVE. BUT THEY MUST REALIZE THEIR
CONFIDENTIAL

PAGE 12 STATE 117834 TOSEC 010116

DIVERSITY DEMANDS A VARIETY OF RESPONSES; THAT NO COM-
PREHENSIVE SOLUTION IS POSSIBLE; AND THAT EFFECTIVE
COOPERATION AMONG THE PARTIES MOST CONCERNED IS THE KEY
TO SOLVING SPECIFIC PROBLEMS.

29. THE DIVERSITY OF THE SO-CALLED THIRD WORLD HAS BEEN
MADE OBVIOUS BY THE EMERGENCE OF NEW, RAPIDLY GROWING
ECONOMIC POWERS, MOST PROMINENTLY THE OIL-RICH. BUT
OTHER NEW POWERS IN INDUSTRIAL MANUFACTURING AND NATURAL
RESOURCES ARE OF INCREASING IMPORTANCE. THE PARTICIPATION
OF THESE COUNTRIES IN THE INTERNATIONAL ECONOMIC SYSTEM
IS INDISPENSABLE TO ANY EFFORT TO CONSTRUCT A NEW ERA
OF COOPERATION.

30. THE SYSTEM MUST ALSO BE CAPABLE OF MEETING THE NEEDS
OF THE POOREST COUNTRIES. NATIONS CALLOUS TO THEIR
PLIGHT MUST FORFEIT ANY CLAIM TO MORAL AND POLITICAL
WORLD LEADERSHIP.

31. A BETTER RELATIONSHIP WITH THE LESS DEVELOPED NATIONS
WILL REQUIRE SERIOUS PROGRESS ON THE PROBLEMS CENTRAL TO
THAT RELATIONSHIP--FOOD, RAW MATERIALS, TRADE AND FINANCE.
FOOD (UNDERSCORED)

CONFIDENTIAL

PAGE 13 STATE 117834 TOSEC 010116

FOOD IS MAN'S MOST BASIC NEED. IF WE DO NOT MOVE TO

CLOSE THE GAP BETWEEN WORLD PRODUCTIVITY AND DEMAND, NOTHING ELSE WE DO CAN HAVE MEANING. BUT THE CONSTRUCTION OF A STABLE WORLD FOOD ECONOMY CAN PROVIDE A PILLAR OF A NEW INTERNATIONAL ECONOMIC ORDER.

32. THE SOLUTION TO THE WORLD'S FOOD PROBLEM DEPENDS CRUCIALLY ON THE COOPERATION OF MOST OF THE MAJOR FOOD PRODUCING AND CONSUMING NATIONS. FOR A POOR HARVEST IN ANY ONE NATION AFFECTS US ALL THROUGH HIGHER PRICES AND LIMITED SUPPLIES WORLDWIDE.

33. FOR THE SHORT-TERM, FOOD AID WILL BE NEEDED. THE U.S. VIEWS THIS AS A SHARED INTERNATIONAL RESPONSIBILITY OF ALL FINANCIALLY ABLE DONOR COUNTRIES.

34. BUT A FUNDAMENTAL SOLUTION TO THE WORLD FOOD PROBLEM WILL REQUIRE US TO :

-- INCREASE WORLD FOOD PRODUCTION CAPACITY; AND

-- BUILD FOOD SECURITY THROUGH AN INTERNATIONAL RESERVE SYSTEM.

35. IT IS THE LESS DEVELOPED NATIONS WHICH POSSESS THE GREATEST CAPACITY FOR INCREASED PRODUCTION--IN WATER AND CULTIVATABLE LAND. TO ASSIST THEIR EFFORTS TO INCREASE
CONFIDENTIAL

PAGE 14 STATE 117834 TOSEC 010116

PRODUCTION, AND TO ENCOURAGE MORE EFFECTIVE AGRICULTURAL POLICIES, THE U.S. SUPPORTS TWO NEW INTERNATIONAL MECHANISMS: FIRST,

-- THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOP-

MENT, AN INITIATIVE OF THE OIL-PRODUCING NATIONS TO HELP

MOBILIZE NEW FINANCIAL RESOURCES. THE FUND SHOULD BRING

TOGETHER ALL DONORS WHO ARE PREPARED TO CONTRIBUTE
ADDITIONAL RESOURCES, OVER SOME AGREED BASE YEAR, TO
AGRICULTURAL DEVELOPMENT. FOR MANY COUNTRIES, THIS MAY
REQUIRE A COMMITMENT TO SUSTAIN CURRENT AND FUTURE
AGRICULTURAL ASSISTANCE EFFORTS AT LEVELS IN EXCESS OF
THOSE IN THE RECENT PAST. PRESIDENT FORD HAS ASKED ME
TO INFORM YOU TODAY THAT THE U.S. WILL PARTICIPATE IN
THE CREATION OF SUCH A FUND, WHOSE RESOURCES, WE BELIEVE,
SHOULD TOTAL AT LEAST \$1 BILLION A YEAR.

36. A LINK BETWEEN FUNDING AND EFFECTIVE AGRICULTURAL
POLICIES CAN BE PROVIDED BY THE SECOND ORGANIZATION, THE
CONSULTATIVE GROUP ON FOOD PRODUCTION AND INVESTMENT,
ORGANIZED BY THE WORLD BANK, UNDP AND THE FAO. THE GROUP,
WHICH PLANS ITS FIRST MEETING IN JULY, SHOULD BE THE
CONFIDENTIAL

PAGE 15 STATE 117834 TOSEC 010116

CENTRAL MECHANISM FOR COOPERATION AMONG TRADITIONAL DONOR
NATIONS, NEW DONORS--THE OIL EXPORTING COUNTRIES--AND THE
DEVELOPING COUNTRIES THEMSELVES.

37. THE SECOND REQUIREMENT FOR A LONG TERM SOLUTION TO
FOOD IS AN INTERNATIONAL RESERVES SYSTEM. TO GUARD
AGAINST EMERGENCY SHORTAGES AND PROTECT WORLD SUPPLIES
IN THE FACE OF CROP FAILURES AND OTHER CATASTROPHIES,
WE AGREED AT THE ROME FOOD CONFERENCE TO NEGOTIATE A NEW
INTERNATIONAL SYSTEM OF NATIONALLY HELD GRAIN RESERVES.
I RECENTLY OUTLINED OUR SUGGESTED PRINCIPLES FOR SUCH
A SYSTEM:

-- TOTAL WORLD RESERVES MUST BE LARGE ENOUGH TO MEET

POTENTIAL SHORTFALLS IN FOOD GRAINS PRODUCTION.

-- GRAIN EXPORTERS AND IMPORTERS SHOULD AGREE ON A

FAIR ALLOCATION OF RESERVE HOLDINGS, TAKING INTO ACCOUNT

WEALTH, GRAIN PRODUCTIVE CAPACITY, AND TRADE.

-- THERE SHOULD BE AGREED INTERNATIONAL RULES OR

GUIDELINES TO ENCOURAGE MEMBERS TO BUILD UP RESERVES IN

TIMES OF GOOD HARVEST.

-- EACH PARTICIPATING COUNTRY SHOULD BE FREE TO

DETERMINE HOW ITS RESERVES WILL BE MAINTAINED AND WHAT
CONFIDENTIAL

PAGE 16 STATE 117834 TOSEC 010116

INCENTIVES TO PROVIDE FOR THEIR BUILDUP, HOLDING, AND

DRAW-DOWNS.

-- RULES OR GUIDELINES SHOULD BE AGREED IN ADVANCE

FOR THE DRAW-DOWN OF RESERVES, TRIGGERED BY SHORTFALLS

IN WORLD PRODUCTION. THERE MUST BE A CLEAR PRESUMPTION

THAT ALL MEMBERS WOULD MAKE RESERVES AVAILABLE WHEN

NEEDED AND, CONVERSELY, THAT RESERVES WOULD NOT BE

RELEASED PREMATURELY OR EXCESSIVELY AND THUS UNNECESSARILY

DEPRESS MARKET PRICES.

-- IN TIMES OF SHORTAGE THE SYSTEM MUST ASSURE

ACCESS TO SUPPLIES FOR COUNTRIES THAT PARTICIPATE IN IT,

AND THERE MUST BE SPECIAL PROVISION TO MEET THE NEEDS

OF THE POOREST DEVELOPING COUNTRIES.

-- FINALLY THE SYSTEM MUST ENCOURAGE EXPANDED AND

LIBERALIZED TRADE IN GRAINS.

38. THE UNITED STATES IS PREPARED TO HOLD AN IMPORTANT PART OF AN AGREED LEVEL OF WORLD RESERVES. IF OTHERS JOIN US IN NEGOTIATING SUCH A SYSTEM, THE OUTLINE OF AN INTERNATIONAL RESERVES AGREEMENT CAN BE COMPLETED BEFORE THE END OF THE YEAR.

CONFIDENTIAL

PAGE 17 STATE 117834 TOSEC 010116

COMMODITIES

39. ECONOMIC COOPERATION BETWEEN INDUSTRIALIZED AND DEVELOPING NATIONS ALSO WILL REQUIRE PROGRESS ON COMMODITY PROBLEMS, AN ISSUE WITH WIDE POLITICAL AND ECONOMIC IMPLICATIONS. UNLESS WE SERIOUSLY ATTEMPT TO DEAL WITH THE RAW MATERIALS PROBLEM, PRICE VOLATILITY, SUPPLY DISRUPTION, INVESTMENT DISPUTES, AND INCREASING HOSTILITY TO THE PRIVATE FIRMS THAT PROVIDE MANAGED TECHNOLOGY FOR RESOURCE DEVELOPMENT COULD, OVER THE LONG-TERM, ADVERSELY AFFECT THE PRICE AND AVAILABILITY OF RAW MATERIALS VITAL TO ECONOMIC PROGRESS.

40. IN RESPONSE TO THESE PROBLEMS, THE UNITED KINGDOM HAS PROPOSED A SERIES OF CONCRETE STEPS ON COMMODITIES. WHILE WE DO NOT AGREE WITH ALL ASPECTS OF THEIR PROPOSALS, WE WELCOME THEIR INITIATIVE.

41. IN THIS SAME SPIRIT THE UNITED STATES WILL TABLE SUGGESTIONS FOR ADDRESSING THE PROBLEMS OF COMMODITY MARKETS.

42. FIRST, WE WILL PROPOSE THAT NEW ARRANGEMENTS FOR ACCESS TO MARKETS AND SUPPLIES BE NEGOTIATED IN THE

MULTILATERAL TRADE NEGOTIATIONS.
CONFIDENTIAL

PAGE 18 STATE 117834 TOSEC 010116

43. SECOND, WE ARE PREPARED TO DISCUSS NEW ARRANGEMENTS
FOR INDIVIDUAL COMMODITIES ON A CASE-BY-CASE BASIS. WE
HAVE ALREADY MADE INNOVATIVE PROPOSALS FOR A NEW
INTERNATIONAL COFFEE AGREEMENT. WE ARE PARTICIPATING
IN DISCUSSIONS WITH THE MEMBERS OF THE INTERNATIONAL
TIN COUNCIL. WE ARE PREPARED TO JOIN OTHER PRODUCERS
AND CONSUMERS OF COPPER IN A DIALOGUE ABOUT THE PROBLEMS
AND POSSIBLE ACTIONS TO TAKE IN THIS AREA.

44. THIRD, I HAVE ALREADY SUGGESTED THAT THE WORLD BANK
EXPLORE NEW WAYS OF FINANCING RESOURCE DEVELOPMENT IN
COMBINATION WITH PRIVATE MANAGEMENT, TECHNOLOGY AND CAPI-
TAL. THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND
COULD ALSO PROVIDE IMPROVED FACILITIES FOR FINANCING
COUNTER-CYCLICAL STOCKHOLDING WHERE AGREED BY PRODUCERS
AND CONSUMERS.

45. FOR MANY LESS DEVELOPED COUNTRIES, THE REAL ISSUE
IS NOT PRICE INSTABILITY BUT THEIR DESIRE FOR RELIABLE,
LONG-TERM STABILITY IN THEIR COMMODITY EXPORT EARNINGS.
THE TIME HAS COME TO REVIEW EXISTING FACILITIES FOR
EARNINGS STABILIZATION, SUCH AS THE IMF'S, AND TO SEE
CONFIDENTIAL

PAGE 19 STATE 117834 TOSEC 010116

WHAT MORE IS POSSIBLE TO INSURE THE NEEDIEST DEVELOPING
COUNTRIES AGAINST EXCESSIVE FLUCTUATION IN THEIR EXPORT
INCOME.

46. GIVEN THE URGENCY OF MAKING PROGRESS ON COMMODITY
ISSUES THE UNITED STATES SUPPORTS THE OECD PROPOSALS
FOR A HIGH LEVEL GROUP ON COMMODITIES TO STUDY PROPOSALS
IN THIS AREA.

TRADE AND FINANCE

47. IN THE TRADITIONAL AREAS OF INTERNATIONAL TRADE AND
FINANCE, THE SCOPE FOR COOPERATION WITH THE DEVELOPING
NATIONS ALSO CAN BE ENHANCED.

48. TWO ISSUES STAND OUT:

49. FIRST, DEVELOPING COUNTRIES WITH LARGE AND GROWING
INDUSTRIAL SECTORS, PARTICULARLY IN EAST ASIA AND
LATIN AMERICA, REQUIRE EXPANDING MARKETS FOR THEIR MANU-
FACTURED GOODS. FOR THESE COUNTRIES, THE TOKYO DECLARATION'S
PLEDGE ON ACCESS TO INDUSTRIAL WORLD MARKETS FOR
DEVELOPING COUNTRIES MUST BECOME A REALITY.

50. SECOND, FOR THE POOREST COUNTRIES, OUR INTERNATIONAL
FINANCIAL SYSTEM IS POORLY DESIGNED TO HELP THEM MEET
THE BURDEN OF HIGHER PRICES FOR IMPORTED ENERGY, FOOD,
CONFIDENTIAL

PAGE 20 STATE 117834 TOSEC 010116

FERTILIZER AND INDUSTRIAL GOODS. AND AT THE SAME TIME
WORLDWIDE RECESSION REDUCES THEIR EXPORT POTENTIAL. FOR
THIS REASON, WE CONSIDER IT A MATTER OF URGENCY THAT
A SPECIAL TRUST FUND OF UP TO \$2 BILLION BE ESTABLISHED
UNDER THE IMF BY 1976. WE HAVE PROPOSED THAT GOLD NOW
HELD BY THE IMF BE USED TO PROVIDE RESOURCES FOR HALF
THIS TOTAL AND SUPPLEMENTED BY OTHER CONTRIBUTIONS,

ESPECIALLY FROM OIL PRODUCERS. WE BELIEVE THE INDUSTRIAL COUNTRIES COULD BE FLEXIBLE IN MEETING THE DESIRES OF CONTRIBUTING COUNTRIES REGARDING MANAGEMENT AND OTHER ARRANGEMENTS FOR A TRUST FUND. I WOULD HOPE THAT THE COUNTRIES OF THE OECD COULD PUT THIS PROPOSAL FORWARD FOR ACTION AT THE MEETINGS OF THE IMF INTERIM COMMITTEE AND IMF/IBRD DEVELOPMENT COMMITTEE IN TWO WEEKS TIME.

51. THE OECD NATIONS HAVE A HISTORY OF COOPERATION IN ADDRESSING PROBLEMS OF THE LESS DEVELOPED COUNTRIES. WE HAVE A DUTY TO WARN AGAINST, AND TO RESIST CONFRONTATION; FOR IT IS IN THE LONG-TERM INTEREST OF NO NATION. INSTEAD, THE U.S. WILL WORK TO EXPAND AN INTERNATIONAL SYSTEM OF BENEFICIAL COOPERATION. THE UNITED STATES THEREFORE
CONFIDENTIAL

PAGE 21 STATE 117834 TOSEC 010116

SUPPORTS THE SECRETARY GENERAL'S PROPOSAL FOR A BROAD STUDY FOR OUR RELATIONSHIPS WITH DEVELOPING COUNTRIES, TO BE CARRIED FORWARD UNDER THE AEGIS OF THE EXECUTIVE COMMITTEE IN SPECIAL SESSION.

CONCLUSION

52. OUR MODERN ERA HAS BEEN CREATED AND SHAPED BY THE INDUSTRIAL REVOLUTION AND THE PROGRESSIVE ECONOMIC GROWTH IT BROUGHT. ITS IMPACT HAS BEEN RAPID, ITS RESULTS PRODIGIOUS, ITS EFFECTS UNPRECEDENTED. IT NOT ONLY HAS CREATED INDUSTRIAL SOCIETY, IT HAS PROVIDED THE MEANS BY WHICH INDUSTRIALIZATION, CONFINED TO WESTERN EUROPE AND THE UNITED STATES A CENTURY AGO, HAS

BEEN EXPANDED INTO MANY PARTS OF THE GLOBE.

53. FOR THE NATIONS WHICH HAVE ALREADY REACHED INDUS-
TRIALIZATION, IT PROMOTES SECURITY, SUSTAINS PROSPERITY
AND NURTURES CHERISHED VALUES.

54. FOR THOSE STILL STRIVING TO INDUSTRIALIZE, IT
REPRESENTS THE BEST HOPE FOR A BETTER LIFE--THE CHANCE
TO SHARE IN THE WORLD'S GROWING WEALTH AND THE GENERATING
SOURCE OF NEW AND WIDELY DISPERSED PRODUCTION ENTERPRISES.

55. FOR THE NEW CHALLENGES WE FACE, A VITAL INDUSTRIAL
CONFIDENTIAL

PAGE 22 STATE 117834 TOSEC 010116

SYSTEM PROVIDES THE ONLY MEANS FOR MASSING THE RESOURCES
REQUIRED FOR CREATIVE AND SUSTAINED SOLUTIONS TO THE
PROBLEMS OF FOOD, ENERGY, ENVIRONMENT AND OTHER GREAT
GLOBAL IMPERATIVES OF OUR TIME. IT PROVIDES A FOUNDATION
ON WHICH TO BUILD A STABLE AND EQUITABLE INTERNATIONAL
ORDER.

56. THERE ARE NO PLATEAUS IN THE AFFAIRS OF MANKIND,
WHAT IS NOT A STEP FORWARD IS AT BEST STAGNATION; BUT
OFTEN, IT IS A PAUSE BEFORE REGRESSION. THERE IS NO
NEED TO BE DISMAYED OR DISTRAUGHT BY THE PROBLEMS WE
FACE, FOR PROGRESS IMPLIES PROBLEMS. THE CIRCUMSTANCES
OF OUR TIME HAVE PROVIDED THE NATIONS OF THE WORLD WITH
A UNIQUELY SHARED PERCEPTION OF OUR COMMON PREDICAMENT.
THE OPPORTUNITY TO WRITE A NEW AND ENDURING CHAPTER IN
THE STORY OF INTERNATIONAL COOPERATION IS BEFORE US. INGERSOLL
CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: Z
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXT, TOSEC, SPEECHES, MEETINGS, CAT-A, TOSEC 10116
Control Number: n/a
Copy: SINGLE
Draft Date: 21 MAY 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE117834
Document Source: ADS
Document Unique ID: 00
Drafter: S/P:CFRANK/CHILL
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: P850004-0528
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197505103/baaaakfe.tel
Line Count: 971
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN NODS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: NODIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 18
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: NODIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 04 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 JUN 2003 by BoyleJA>; APPROVED <20 OCT 2003 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: LOCK1
Status: NATIVE
Subject: n/a
TAGS: OVIP, OECD, (KISSINGER, HENRY A)
To: SECRETARY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006